

in a transaction in which the basis of such property in his hands is determined in whole or in part by reference to the basis of the property in the hands of the transferor and the transferor had in effect at the time of the transfer an election under section 615(e), an amount equal to the total of the amounts allowed as deductions to the transferor under section 615 with respect to the transferred mineral property shall be treated as expenditures allowed as deductions under section 617(a) to the transferee. The preceding sentence shall not apply to expenditures which would not have been reflected in the basis of the property in the hands of the transferor had the transferor not made the section 615(e) election.

(2) Any expenditures with respect to the transferred property deferred by the transferor under section 615(b) which are not allowed as deductions to him prior to transfer of the property may not be deducted by the transferee and in his hands shall be charged to capital account.

[T.D. 7192, 37 FR 12940, June 30, 1972]

§ 1.615-8 Termination of section 615.

(a) *In general.* The provisions of section 615 shall not apply to exploration expenditures paid or incurred after December 31, 1969. Expenditures paid or incurred before January 1, 1970, which were deferred under section 615(b) will be deductible under such section after such date as the units of ore or mineral discovered or explored by reason of such expenditures are sold. An election under section 615(e) with respect to expenditures paid or incurred prior to January 1, 1970, shall remain in effect with respect to such expenditures unless it is revoked under section 615(e) and § 1.615-6. See § 1.615-9 for treatment of a section 615(e) election with respect to expenditures paid or incurred after December 31, 1969.

(b) *Taxable years beginning before January 1, 1970, and ending after December 31, 1969—*(1) *In general.* The termination of section 615 applies to expenditures paid or incurred after December 31, 1969. The income tax treatment of exploration expenditures paid or incurred before January 1, 1970, will be determined in accordance with the provi-

sions of sections 615 and 617 prior to their amendment by the Tax Reform Act of 1969 (83 Stat. 487). The fact that on his income tax return for a taxable year beginning before January 1, 1970, and ending after December 31, 1969, a taxpayer deducts under section 615 expenditures paid or incurred before January 1, 1970, shall not affect his right to deduct under section 617(a) expenditures paid or incurred during such taxable year after December 31, 1969.

(2) *Allocation in case of inadequate records.* If a taxpayer pays or incurs exploration expenditures during a taxable year beginning before January 1, 1970, and ending after December 31, 1969, but his records are inadequate to permit a determination of the amount paid or incurred during the portion of the year ending after December 31, 1969, and the amount paid or incurred on or before such date, the exploration expenditures as to which the records are inadequate paid or incurred with respect to the mine or property during the taxable year shall be allocated to each part of the year (that is, the part before January 1, 1970, and the part occurring after December 31, 1969) in the same ratio which the number of days in each such part year bears to the number of days in the entire taxable year.

[T.D. 7192, 37 FR 12941, June 30, 1972]

§ 1.615-9 Notification under Tax Reform Act of 1969.

(a) *In general.* An election under section 615(e) with respect to exploration expenditures paid or incurred prior to January 1, 1970, shall be treated as an election under section 617(a) with respect to exploration expenditures paid or incurred after December 31, 1969.

(b) *Exception.* Paragraph (a) of this section shall not apply to an election under section 615(e) if the taxpayer files the notice described in paragraph (c) of this section or the taxpayer revokes his election under section 615(e) before the date prescribed for the filing of notice under paragraph (c)(2) of this section.

(c) *Filing of notice—*(1) *In general.* The notice not to have a section 615(e) election treated as a section 617(a) election shall be made in a statement filed with the Director of the Internal Revenue